

## CHECKLIST ENVIRONMENTAL ASSESSMENT

<b>Project Name:</b> Zone Exploration, North Buffalo (East Block) Project #3384-5	<b>Proposed Implementation Date:</b> August 2006
<b>Proponent:</b> Cline Production Company P.O. Box 20736 Billings, MT 59104 (406) 254-9496 Attn: Fred Cline Zone Exploration, Inc. P.O. Box 1362 Billings, MT 59103 (406) 259-5106 Attn: John Fredlund	
<b>Type and Purpose of Action:</b> This proposal is to drill a 1260' hole to test for an economic gas reservoir within the Bow Island Sands.	
<b>Location:</b> T28N, R4E, Sec 33 SWNW 1424' FNL, 1191' FWL (Common School Grant)	<b>County:</b> Liberty

### I. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project.	DNRC, MMB, Mineral Owner, Surface Owner Camrose Colony, Inc., Surface Lessee Zone Exploration Inc., Mineral Lessee Cline Production Company, Operator
2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:	None
3. ALTERNATIVES CONSIDERED:	Deny the request

RESOURCE	[Y/N]	POTENTIAL IMPACTS
		N = Not Present or No Impact will occur. Y = Impacts may occur (explain below)
4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE: Are fragile, compactable or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations? Are cumulative impacts likely to occur as a result of this proposed action?	[Y]	This proposal will take place on native sod within the Knees Area of Liberty County. The Knees are a structural high within the Northern Glaciated Plains. There will be a 200' by 200' drill site constructed, and a 25' by 1340' access route requirement. The pad will have a maximum 2.9' cut and a 4.4' fill for level. After completion all pits will be back filled, the pad will be re-contoured to the original slope, and the drill site and access route will be re-seeded. Seeding requirement will be AgSm 60%, StVi 30%, Winterfat 5%, and Alfalfa 5%. Seeding rate will be 7.5# per acre. Cumulative impacts are possible if drilling encounters a significant gas reservoir. In the event of a new discovery, an increase in drilling and required infrastructure could take place.

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5. WATER QUALITY, QUANTITY AND DISTRIBUTION: Are important surface or groundwater resources present? Is there potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality? Are cumulative impacts likely to occur as a result of this proposed action?	[N] Ground water will probably be encountered during the drilling phase of the proposal. All sub-surface water will be controlled in accordance with MBOG regulations.
6. AIR QUALITY: Will pollutants or particulate be produced? Is the project influenced by air quality regulations or zones (Class I air shed)? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There will be no impact to the air shed as a result of this proposal.
7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] A 200' by 200' area will be excavated for the drilling location. The access route will be 25' by 1340'. These site requirements will be re-vegetative to the original compositions found during the site inspection. If the drilling encounters gas, a flow line will be constructed to tie the well into an existing gathering system. The nearest gathering system within this area is located some miles west of this proposal. There will be some pipeline route planning if this proposal discovers a gas system. There are no rare plants or cover types within the proposed area however.
8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS: Is there substantial use of the area by important wildlife, birds or fish? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There will not be any adverse impact to fish, wildlife, or birds resulting from this proposal.
9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES: Are any federally listed threatened or endangered species or identified habitat present? Any wetlands? Sensitive Species or Species of special concern? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are no endangered or threatened species or habitat present on this site.
10. HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological resources present?	[N] During the field inspection there were no cultural sites located. The lease files also were inspected and no previous sites were located within the proposed area.
11. AESTHETICS: Is the project on a prominent topographic feature? Will it be visible from populated or scenic areas? Will there be excessive noise or light? Are cumulative impacts likely to occur as a result of this proposed action?	[N] Cumulative impacts to aesthetics are not likely to occur as a result of this proposal.
12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, and AIR OR ENERGY: Will the project use resources that are limited in the area? Are there other activities nearby that will affect the project? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are basically only two major industries within this proposed area. They are agricultural and the petroleum industry. Both appear to work quite well together. This proposal is within 4 or 5 miles of an existing gas field.
13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract? Are cumulative impacts likely to occur as a result of other private, state or federal current actions w/n the analysis area, or from future proposed state actions that are under MEPA review (scoping) or permitting review by any state agency w/n the analysis area?	[N] There are no other studies, plans or projects on this tract.

### III. IMPACTS ON THE HUMAN POPULATION

RESOURCE	[Y/N] POTENTIAL IMPACTS AND MITIGATION MEASURES
14. HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?	[N] This project will not add to the health and safety of the area.
15. INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?	[Y] The results of this project can contribute to the addition of increased natural gas production. This particular area is dependent upon both the petroleum and agricultural industries.
16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number. Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create several temporary contracting jobs during the permitting and drilling process.
17. LOCAL AND STATE TAX BASE AND TAX REVENUES: Will the project create or eliminate tax revenue? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create tax revenue if commercial gas is encountered from the sale of natural gas.
18. DEMAND FOR GOVERNMENT SERVICES: Will substantial traffic be added to existing roads? Will other services (fire protection, police, schools, etc) be needed? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] There will be a temporary influx of traffic during the drilling phase of the project. This traffic will deflate after the drilling has been completed.
19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?	[N] None
20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES: Are wilderness or recreational areas nearby or accessed through this tract? Is there recreational potential within the tract? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are no wilderness or recreational sites accessed through this tract.
21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING: Will the project add to the population and require additional housing? Are cumulative impacts likely to occur as a result of this proposed action?	[N] None
22. SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or communities possible?	[N] None
23. CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?	[N] None
24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES: Is there a potential for other future uses for easement area other than for current management? Is future use hypothetical? What is the estimated return to the trust? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project can benefit the State of Montana in terms of gas royalties produced. Revenue will also be generated from permitting fees and lease bonuses. Estimated returns are not applicable until after drilling.

EA Checklist Prepared By: /S/ Steve Dobson  
Name

Range Specialist  
Title

Date: 7-13-06

#### IV. FINDING

25. ALTERNATIVE SELECTED:	Grant Cline Production Co and Zone Exploration, Inc authorization to drill the requested gas well.
26. SIGNIFICANCE OF POTENTIAL IMPACTS:	The proposed well is located on native rangeland. Small-scale impacts to the soil resources around the well location are expected. Small-scale impacts to the native rangeland around the location and access route are expected. No archaeological sites were observed within the project area. Devon Energy has settled actual surface damages with State Land surface lessee for \$250.00. DNRC has received a \$1000.00 surface damage payment. Following drilling activities, all disturbed area will be recontoured and reseeded to native grass per recommendations within this EA checklist. If this well produces gas, the school trust will benefit in terms of increase royalty payments.
27. Need for Further Environmental Analysis:  <input type="checkbox"/> EIS <input type="checkbox"/> More Detailed EA <b>[ X ] No Further Analysis</b>	

EA Checklist Approved By: Erik Eneboe Conrad Unit Manager - CLO  
 Name Title

/S/ ERIK ENEBOE September 6, 2006  
 Signature Date